

CF Industries Holdings, Inc.
Form 10-Q
November 06, 2014

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-32597

CF INDUSTRIES HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-2697511

(I.R.S. Employer
Identification No.)

**4 Parkway North, Suite 400
Deerfield, Illinois**

(Address of principal executive offices)

60015

(Zip Code)

(847) 405-2400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

49,735,222 shares of the registrant's common stock, \$0.01 par value per share, were outstanding at October 31, 2014.

Table of Contents

TABLE OF CONTENTS

PART I. Financial Information

<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>	<u>1</u>
	<u>Consolidated Statements of Operations</u>	<u>2</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>2</u>
	<u>Consolidated Balance Sheets</u>	<u>3</u>
	<u>Consolidated Statements of Equity</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>40</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>67</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>68</u>

PART II. Other Information 69

<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>69</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>69</u>

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Net sales	\$ 921.4	\$ 1,097.0	\$ 3,526.7	\$ 4,148.4
Cost of sales	620.3	710.9	2,192.5	2,222.0
Gross margin	301.1	386.1	1,334.2	1,926.4
Selling, general and administrative expenses	38.2	32.2	119.4	121.0
Other operating net	25.7	(20.3)	41.5	(9.2)
Total other operating costs and expenses	63.9	11.9	160.9	111.8
Gain on sale of phosphate business			747.1	
Equity in earnings of operating affiliates	9.4	11.2	27.3	32.3
Operating earnings	246.6	385.4	1,947.7	1,846.9
Interest expense	46.4	41.0	137.1	112.4
Interest income	(0.2)	(1.0)	(0.7)	(4.1)
Other non-operating net	(0.1)	(0.3)	0.5	54.1
Earnings before income taxes and equity in earnings of non-operating affiliates	200.5	345.7	1,810.8	1,684.5
Income tax provision	70.5	109.0	640.9	499.3
Equity in earnings of non-operating affiliates net of taxes	10.6	7.2	15.8	6.2
Net earnings	140.6	243.9	1,185.7	1,191.4
Less: Net earnings attributable to noncontrolling interest	9.7	9.8	33.7	52.6
Net earnings attributable to common stockholders	\$ 130.9	\$ 234.1	\$ 1,152.0	\$ 1,138.8

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Net earnings per share attributable to common stockholders:

Basic	\$	2.63	\$	4.09	\$	22.23	\$	19.12
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Diluted	\$	2.62	\$	4.07	\$	22.16	\$	19.01
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Weighted average common shares outstanding:

Basic	49.7	57.3	51.8	59.6
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Diluted	49.9	57.5	52.0	59.9
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Dividends declared per common share	\$	1.50	\$	0.40	\$	3.50	\$	1.20
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See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Net earnings	\$ 140.6	\$ 243.9	\$ 1,185.7	\$ 1,191.4
Other comprehensive income (loss):				
Foreign currency translation adjustment net of taxes	(51.7)	39.5	(38.3)	(28.7)
Unrealized gain (loss) on hedging derivatives net of taxes	(1.8)	3.9	(1.8)	(0.3)
Unrealized gain (loss) on securities net of taxes	0.4	(0.3)	0.7	0.3
Defined benefit plans net of taxes	3.1	(0.4)	9.6	5.0
	(50.0)	42.7	(29.8)	(23.7)
Comprehensive income	90.6	286.6	1,155.9	1,167.7
Less: Comprehensive income attributable to the noncontrolling interest	9.7	9.8	33.7	51.9
Comprehensive income attributable to common stockholders	\$ 80.9	\$ 276.8	\$ 1,122.2	\$ 1,115.8

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents

CF INDUSTRIES HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	(Unaudited) September 30, 2014 (in millions, except share and per share amounts)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,651.2	\$ 1,710.8
Restricted cash	145.6	154.0
Accounts receivable net	156.9	230.9
Inventories net	254.8	274.3
Deferred income taxes	39.8	60.0
Prepaid income taxes	43.5	33.4
Assets held for sale		74.3
Other	46.9	92.4
 Total current assets	 3,338.7	 2,630.1
Property, plant and equipment net	5,050.2	4,101.7
Investments in and advances to affiliates	925.2	926.0
Goodwill	2,094.0	2,095.8
Noncurrent assets held for sale		679.0
Other assets	251.7	245.5
 Total assets	 \$ 11,659.8	 \$ 10,678.1
 Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 555.7	\$ 564.1
Income taxes payable	9.0	73.3
Customer advances	460.8	120.6
Liabilities held for sale		26.8
Other	23.3	43.5
 Total current liabilities	 1,048.8	 828.3
 Long-term debt	 4,592.4	 3,098.1
Deferred income taxes	814.3	833.2
Noncurrent liabilities held for sale		154.5
Other noncurrent liabilities	349.0	325.6
Equity:		
Stockholders' equity:		
Preferred stock \$0.01 par value, 50,000,000 shares authorized	0.5	0.6

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Common stock \$0.01 par value, 500,000,000 shares authorized, 2014 52,198,430 shares issued and 2013 56,733,712 shares issued		
Paid-in capital	1,494.2	1,594.3
Retained earnings	3,679.1	3,725.6
Treasury stock at cost, 2014 2,469,229 shares and 2013 885,518 shares	(604.3)	(201.8)
Accumulated other comprehensive loss	(72.4)	(42.6)
Total stockholders' equity	4,497.1	5,076.1
Noncontrolling interest	358.2	362.3
Total equity	4,855.3	5,438.4
Total liabilities and equity	\$ 11,659.8	\$ 10,678.1

See Accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**CF INDUSTRIES HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF EQUITY****(Unaudited)**

	Common Stockholders					Total		
	\$0.01 Par Value Common Stock	Treasury Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity	Noncontrolling Interest	Total Equity
(in millions)								
Balance at December 31, 2012	\$ 0.6	\$ (2.3)	\$ 2,492.4	\$ 3,461.1	\$ (49.6)	\$ 5,902.2	\$ 380.0	\$ 6,282.2
Net earnings				1,138.8		1,138.8	52.6	1,191.4
Other comprehensive income:								
Foreign currency translation adjustment net of taxes					(28.0)	(28.0)	(0.7)	(28.7)
Unrealized net loss on hedging derivatives net of taxes					(0.3)	(0.3)		(0.3)
Unrealized net gain on securities net of taxes					0.3	0.3		0.3
Defined benefit plans net of taxes					5.0	5.0		5.0
Comprehensive income						1,115.8	51.9	1,167.7
Acquisitions of noncontrolling interests in Canadian Fertilizers Limited (CFL)			(752.5)			(752.5)	(16.8)	(769.3)
Acquisition of treasury stock under employee stock plans		(3.2)				(3.2)		(3.2)
Purchases of treasury stock		(1,111.5)				(1,111.5)		(1,111.5)
Retirement of treasury stock		750.1	(106.3)	(643.8)				
Issuance of \$0.01 par value common stock under employee stock plans		5.2	4.7	(3.6)		6.3		6.3
Stock-based compensation expense			9.3			9.3		9.3
Excess tax benefit from stock-based compensation			11.4			11.4		11.4
Cash dividends (\$1.20 per share)				(71.9)		(71.9)		(71.9)
Declaration of distribution payable							(59.1)	(59.1)
Effect of exchange rates changes							0.1	0.1
Balance at September 30, 2013	\$ 0.6	\$ (361.7)	\$ 1,659.0	\$ 3,880.6	\$ (72.6)	\$ 5,105.9	\$ 356.1	\$ 5,462.0

Balance at December 31, 2013	\$ 0.6	\$ (201.8)	\$ 1,594.3	\$ 3,725.6	\$ (42.6)	\$ 5,076.1	\$ 362.3	\$ 5,438.4
Net earnings				1,152.0		1,152.0	33.7	1,185.7
Other comprehensive income:								
Foreign currency translation adjustment net of taxes					(38.3)	(38.3)		(38.3)
Unrealized net loss on hedging derivatives net of taxes								